

Dime Bank

Nicholas Caplanson
PRESIDENT & CHIEF EXECUTIVE OFFICER

February 19, 2013

To: The Banks Committee

Fr: Nicholas Caplanson, President & CEO, Dime Bank, Norwich

Re: H.B. 6355, An Act Concerning Homeowners Protection Act

Position: Oppose as Drafted

Chairman Leone, Chairman Tong and members of the Banks Committee, my name is Nicholas Caplanson and I am President & CEO of the Dime Bank, located in Norwich, CT. We currently have 10 branches serving the southeastern corner of the state.

The Governor's "homeowner protection rights" bill 6355 is intended to make the mediation and foreclosure process more efficient, but from a lender's perspective I see the proposed bill as reaching far beyond the foreclosure process. It addresses many issues that have *nothing* to do with whether a borrower can afford to pay a loan or continue to own a property.

In particular, as the Bill is drafted, borrowers will be extended the power to file new defenses or counterclaims against lenders that have nothing to do with the foreclosure process. These include potential lending law or servicing law violations that can include any one of a broad range of issues relating to the making, validity or enforcement of a note and mortgage.

As a community bank, we enter into a transaction with a customer because it makes sense for them **and** for the bank. Complying with laws is of paramount importance to us and we follow sound practices and approach every transaction in good faith.

Certainly consumers should be treated fairly and have the ability to seek recourse if

a mistake is made or a law is not followed, however, allowing this to be incorporated into a foreclosure bill will certainly not create efficiency or speed the process up.

This Bill also provides a wide open menu of legal options to a borrower that is virtually endless and leaves the door open for significant delays to occur in the foreclosure process if a borrower or their counsel chooses to file challenges or allegations that have no merit.

Both the time and cost to foreclosure a mortgage in the state of Connecticut could increase substantially as a result of this Bill with the provisions as drafted.

Lenders will certainly question their current approach to extending credit in the state because the risks of winding up in costly litigation when a loan defaults could be greatly increased.

The very ambiguous and broad reaching "special defenses" outlined in the Bill could be so challenging for a lender to defend against that a decision to not do business in the state might be a realistic option.

The economics of mortgage lending and servicing have changed dramatically in recent years and the profit derived from this business simply will not justify taking on more potential financial risk.

I see this proposal as introducing significant new financial risk for a lender into a business that is already seeing profits decline and losses increase as the economy in our state continues to struggle.

I encourage everyone to consider making significant modifications to the provisions dealing with potential new defenses and counterclaims. Borrower's rights are important but the bill should also consider the additional risk being placed on lenders and servicers. What needs to occur is a balanced approach that works for both borrowers and lenders while addressing the timeliness and efficiency of the process. Unfortunately, the current proposal lacks this balance and, if this Bill is not modified, mortgage lenders will be put in an extremely difficult position where they will be forced to re-evaluate the financial risk of extending credit in the State of Connecticut.

Thank you.